

CITY OF CHASE, KANSAS

DECEMBER 31, 2018



CITY OF CHASE, KANSAS

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December 31, 2018

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## INDEPENDENT AUDITORS' REPORT

### The Mayor and City Council City of Chase, Kansas

We have audited the accompanying regulatory basis summary statement of receipts, expenditures, and unencumbered cash of City of Chase, Kansas (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statement.

#### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the regulatory basis reporting provisions permitted in the Kansas Municipal Audit and Accounting Guide (KMAAG), as described in Note 1, to meet the financial reporting requirements of the State of Kansas. This includes determining the regulatory basis of accounting is an acceptable basis for preparing the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and KMAAG. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.



Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City on the basis of the financial reporting provisions permitted in KMAAG, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2018, or changes in net position or cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

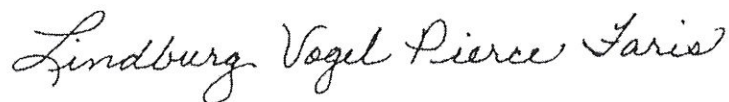
In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City, as of December 31, 2018, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions permitted in KMAAG, described in Note 1.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of receipts, expenditures, and unencumbered cash – regulatory basis (basic financial statement) as a whole. The summary of expenditures – regulatory basis - actual and budget and the individual fund schedules of receipts and expenditures – regulatory basis - actual and budget (Schedules 1 and 2, as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement; however, they are required to be presented under the provisions of KMAAG. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statement as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 11, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



Certified Public Accountants

Hutchinson, Kansas  
September 11, 2019

## CITY OF CHASE, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -  
REGULATORY BASIS  
For Year Ended December 31, 2018

Page 1 of 2

	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General	\$ 26,986	\$ 262,953	\$ 287,789	\$ 2,150	\$ 8,225	\$ 10,375
Special Purpose						
Special Highway	1,646	12,173	12,695	1,124	-	1,124
Special Parks	7,123	-	-	7,123	-	7,123
Local Sales Tax	70,025	18,124	4,000	84,149	-	84,149
Capital Improvements	6,647	-	-	6,647	-	6,647
Police Seizure	784	1,352	121	2,015	-	2,015
Bond and Interest						
Bond and Interest	1,728	16,370	13,957	4,141	-	4,141
Business						
Water	129,508	67,815	102,548	94,775	11,692	106,467
Water Bond P&I	9,422	40,469	40,471	9,420	-	9,420
<b>TOTAL REPORTING ENTITY</b>	<b>\$ 253,869</b>	<b>\$ 419,256</b>	<b>\$ 461,581</b>	<b>\$ 211,544</b>	<b>\$ 19,917</b>	<b>\$ 231,461</b>

The notes to the financial statement are an integral part of this financial statement.

## CITY OF CHASE, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -  
REGULATORY BASIS

For Year Ended December 31, 2018

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## COMPOSITION OF CASH

Petty cash	\$	35
First Bank		
Checking accounts		159,639
Savings accounts		1,787
Certificates of deposit		<u>70,000</u>
TOTAL REPORTING ENTITY	\$	<u><u>231,461</u></u>

The notes to the financial statement are an integral part of this financial statement.



CITY OF CHASE, KANSAS  
NOTES TO THE FINANCIAL STATEMENT  
December 31, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

City of Chase, Kansas (the City) is a municipal corporation governed by an elected Mayor and City Council. There are no related municipal entities of the City.

Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Kansas Municipal Audit and Accounting Guide Regulatory Basis of Presentation Fund Definitions

The following types of funds comprise the financial activities of the City for the year of 2018:

General Fund – to account for all unrestricted resources except those required to be accounted for in another fund.

Special Purpose Funds – to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are intended for specified purposes.

Bond and Interest Funds – to account for the accumulation of resources for, and the payment of, interest and principal on long-term debt.

Business Funds – to account for operations that are financed in whole or in part by fees charged to users of the goods and services.

Regulatory Basis of Accounting and Departures from Accounting Principles Generally Accepted in the United States of America

The regulatory basis of accounting provisions in the Kansas Municipal Audit and Accounting Guide (KMAAG) involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and reporting the changes in unencumbered cash and investments of a fund resulting from the regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities, or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles, and allowing the City to use the regulatory basis of accounting.

Interest Income

Unless otherwise designated, all investment income is credited to the General Fund.

### Cash and Investments

Cash includes amounts in demand, time deposits, and certificates of deposit at financial institutions.

Investments may consist of types authorized by K.S.A. 12-1675, which includes U.S. government securities, repurchase agreements, the Municipal Investment Pool, and others.

### Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

### Reimbursed Expenses

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

### Vacation, Sick Leave, and Other Compensated Absences

Vacation leave is earned based on years of service and no carryover from year to year is allowed. Sick leave is earned monthly with a maximum carryover of 60 days. Sick leave cannot be cashed out.

### Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1 of each year.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5 of each year.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.



A legal operating budget is not required for capital project funds, trust funds, and certain special purpose funds. Spending in funds which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Taxes levied to finance the budget become a lien against all property November 1. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20 and May 10. These taxes are made available to the City after January 1 and are distributed by the County Treasurer generally in the months of January and June. Delinquent tax collections are distributed throughout the year.

#### NOTE 2—DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is used by all funds. Each fund's portion of this pool is displayed on the summary statement of receipts, expenditures, and unencumbered cash. The cash balances of certain funds are restricted as to their use.

K.S.A. 9-1401 established the depositories, which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

#### Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

#### Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by FDIC insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2018.

#### Deposits

At December 31, 2018, the carrying amount of the City's deposits, including certificates of deposit was \$231,426. The bank balance was \$241,652. The bank balance was held by one bank resulting in a concentration of credit risk. The bank balance was covered by FDIC insurance.

## NOTE 3—LONG-TERM DEBT

Terms for long-term debt for the City outstanding for the year ended December 31, 2018, were as follows:

Issue	Interest Rates	Date of Issue	Interest Due	Principal Due	Amount of Issue	Date of Final Maturity
General Obligation Bonds						
Series 2009A	4.250%	06/18/09	06-18	06-18	\$ 701,000	06/18/49
Series 2009B	3.625%	06/18/09	06-18	06-18	78,000	06/18/49
Loans						
Chase Firefighters Relief Association	1.000%	04/15/04	01-15	01-15	30,000	04/15/29

Changes in long-term debt for the City for the year ended December 31, 2018, were as follows:

Issue	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Bonds					
Series 2009A	\$ 636,349	\$ -	\$ 9,702	\$ 626,647	\$ 27,045
Series 2009B	69,851	-	1,192	68,659	2,532
Loans					
Chase Firefighters Relief Association	15,418	-	1,202	14,216	154
Capital Leases					
Sweeper and backhoe	17,096	-	17,096	-	451
	<u>\$ 738,714</u>	<u>\$ -</u>	<u>\$ 29,192</u>	<u>\$ 709,522</u>	<u>\$ 30,182</u>

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	Principal		Interest		Total Principal and Interest
	General Obligation Bonds	Firemen's Relief Loans	General Obligation Bonds	Firemen's Relief Loans	
2019	\$ 11,347	\$ 1,214	\$ 29,122	\$ 142	\$ 41,825
2020	11,822	1,226	28,647	130	41,825
2021	12,315	1,238	28,154	118	41,825
2022	12,831	1,251	27,638	105	41,825
2023	13,368	1,263	27,101	93	41,825
2024-2028	75,711	6,507	126,634	272	209,124
2029-2033	92,937	1,517	109,408	15	203,877
2034-2038	114,093	-	88,252	-	202,345
2039-2043	140,074	-	62,271	-	202,345
2044-2048	171,972	-	30,356	-	202,328
2049	38,836	-	1,632	-	40,468
	<u>\$ 695,306</u>	<u>\$ 14,216</u>	<u>\$ 559,215</u>	<u>\$ 875</u>	<u>\$ 1,269,612</u>

#### NOTE 4—DEFINED BENEFIT PENSION PLAN

##### Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in the Comprehensive Annual Financial Report, which can be found on KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 South Kansas Avenue, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

##### Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009; KPERS 2 members were first employed in a covered position on or after July 1, 2009; and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law establishes the KPERS member-employee contribution rate at 6.00% of covered salary for KPERS 1, KPERS 2, or KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

Kansas law provides that employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined annually based on the results of an annual actuarial valuation. Kansas Law sets a limit on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (excluding the contribution rate for the Death and Disability program) and the statutory contribution rate for KPERS was 8.39% for the year ended December 31, 2018. Contributions for the pension plan from the City for KPERS was \$5,917 for the year ended December 31, 2018.



### Net Pension Liability

At December 31, 2018, KPERS has determined the City's proportionate share of the collective net pension liability for KPERS was \$53,912. The net pension liability was measured as of June 30, 2018, and the total pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The City's share of the allocation is based on the ratio of the City's employer contributions, relative to the total employer and nonemployer contributions for the plan groups the City participates in. Because the regulatory basis of accounting under KMAAG does not recognize long-term debt, this liability is not reported in the financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publically available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described in the first paragraph above.

### NOTE 5—INTERFUND TRANSFERS

Operating transfers for the year ended December 31, 2018, consisted of the following:

From Fund	To Fund	Statutory Authority	Amount
Bond and Interest	Water Bond P&I	City ordinance	\$ 13,957
Water	Water Bond P&I	City ordinance	26,512
Water	General	K.S.A. 12-825d	23,000

### NOTE 6—OTHER LONG-TERM LIABILITIES

#### Other Post-Employment Benefits – Death and Disability Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate was set at 1% for the year ended December 31, 2018.

### NOTE 7—RISK MANAGEMENT

The City is subject to certain risks such as torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from third parties. There have been no significant reductions in insurance coverage from the prior year and there have been no settled claims in excess of insurance coverage for the prior three years.

### NOTE 8—COMMITMENTS

#### Storm Shelter

On August 1, 2016, the City Council agreed to reimburse the local school district \$30,000 for construction of a storm shelter. The City's reimbursement is to be made by crediting the school's monthly utility bill for water use. During 2018, the City applied credits of \$4,464 to the local school district, reducing the City's commitment to \$17,538 at December 31, 2018.

#### Neighborhood Revitalization Program

The City participates in a neighborhood revitalization program as allowed by K.S.A. 12-17,114 et seq. Under the program participants are provided a rebate of ad valorem taxes paid based on the increase in assessed valuation attributable to improvements made by the taxpayer after being approved for participation in the neighborhood revitalization program. For the year ended December 31, 2018, the City's share of tax rebates totaled \$30,082.

## CITY OF CHASE, KANSAS

SUMMARY OF EXPENDITURES - REGULATORY BASIS (ACTUAL AND BUDGET)  
(BUDGETED FUNDS ONLY)

For Year Ended December 31, 2018

Schedule 1

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
General	\$ 301,632	\$ 4,345	\$ 305,977	\$ 287,789	\$ (18,188)
Special Purpose					
Special Highway	12,050	-	12,050	12,695	645
Special Parks	6,619	-	6,619	-	(6,619)
Local Sales Tax	95,858	-	95,858	4,000	(91,858)
Bond and Interest					
Bond and Interest	25,235	-	25,235	13,957	(11,278)
Business					
Water	110,235	-	110,235	102,548	(7,687)

## CITY OF CHASE, KANSAS

GENERAL FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2018

Schedule 2  
 Page 1 of 9

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Taxes			
Ad valorem property tax	\$ 106,569	\$ 119,149	\$ (12,580)
Delinquent tax	9,355	-	9,355
Motor vehicle tax	29,839	29,459	380
Recreational vehicle tax	892	825	67
Commercial vehicle registration fee	1,446	2,470	(1,024)
16/20M vehicle tax	166	14	152
Sales tax	39,688	30,000	9,688
Local alcoholic liquor tax	-	376	(376)
Neighborhood revitalization rebate	(26,958)	-	(26,958)
Total taxes	<u>160,997</u>	<u>182,293</u>	<u>(21,296)</u>
Licenses, fees, and permits			
Utility franchise tax	19,579	20,000	(421)
Miscellaneous permits and licenses	1,446	750	696
Total licenses, fees, and permits	<u>21,025</u>	<u>20,750</u>	<u>275</u>
Charges for services			
Refuse	28,750	32,000	(3,250)
Sewer	20,900	23,000	(2,100)
Total charges for services	<u>49,650</u>	<u>55,000</u>	<u>(5,350)</u>
Fines, forfeitures, and penalties	2,170	-	2,170
Interest on idle funds	936	300	636
Reimbursed expense	4,345	-	4,345
Miscellaneous	830	-	830
Transfer from - Water Fund	23,000	-	23,000
TOTAL RECEIPTS	<u>262,953</u>	<u>\$ 258,343</u>	<u>\$ 4,610</u>



## CITY OF CHASE, KANSAS

GENERAL FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2018

Schedule 2  
Page 2 of 9

	Actual	Budget	Variance Over (Under)
EXPENDITURES			
General government			
Personal services	\$ 81,437	\$ 73,000	\$ 8,437
Contractual services	8,877	40,000	(31,123)
Commodities	122,117	90,000	32,117
Capital outlay	-	23,729	(23,729)
Miscellaneous	2,801	-	2,801
Total general government	215,232	226,729	(11,497)
Refuse			
Contractual services	27,105	32,000	(4,895)
Sewer			
Personal services	15,414	12,500	2,914
Commodities	10,552	3,000	7,552
Contractual services	147	4,500	(4,353)
Capital outlay	-	-	-
Total sewer	26,113	20,000	6,113
Police			
Commodities	140	1,000	(860)
Contractual services	-	1,000	(1,000)
Total police	140	2,000	(1,860)
Fire			
Commodities	228	1,000	(772)
Contractual services	68	1,000	(932)
Total fire	296	2,000	(1,704)
Lease and Firefighters Relief Association payments	18,903	18,903	-
	287,789	301,632	(13,843)
Adjustment for qualifying budget credits	-	4,345	(4,345)
TOTAL EXPENDITURES	287,789	\$ 305,977	\$ (18,188)
RECEIPTS OVER (UNDER) EXPENDITURES	(24,836)		
UNENCUMBERED CASH, BEGINNING	26,986		
UNENCUMBERED CASH, ENDING	\$ 2,150		

CITY OF CHASE, KANSAS  
 SPECIAL HIGHWAY FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2018

Schedule 2  
 Page 3 of 9

	Actual	Budget	Variance Over (Under)
RECEIPTS			
State payments	\$ 12,173	\$ 12,000	\$ 173
EXPENDITURES			
Personal services	9,226	\$ 10,000	\$ (774)
Street repair and maintenance	3,469	2,050	1,419
TOTAL EXPENDITURES	12,695	\$ 12,050	\$ 645
RECEIPTS OVER (UNDER) EXPENDITURES	(522)		
UNENCUMBERED CASH, BEGINNING	1,646		
UNENCUMBERED CASH, ENDING	\$ 1,124		

CITY OF CHASE, KANSAS  
 SPECIAL PARKS FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2018

Schedule 2  
 Page 4 of 9

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Local alcoholic liquor tax	\$ -	\$ 376	\$ (376)
Donations	-	-	-
TOTAL RECEIPTS	-	<u>\$ 376</u>	<u>\$ (376)</u>
EXPENDITURES			
Park improvement	-	<u>\$ 6,619</u>	<u>\$ (6,619)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	-		
UNENCUMBERED CASH, BEGINNING	<u>7,123</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 7,123</u>		



CITY OF CHASE, KANSAS  
 LOCAL SALES TAX FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2018

Schedule 2  
Page 5 of 9

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
RECEIPTS			
Sales tax	\$ 18,124	<u>\$ 17,000</u>	<u>\$ 1,124</u>
EXPENDITURES			
Road improvements	<u>4,000</u>	<u>\$ 95,858</u>	<u>\$ (91,858)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	14,124		
UNENCUMBERED CASH, BEGINNING	<u>70,025</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 84,149</u>		

CITY OF CHASE, KANSAS  
 BOND AND INTEREST FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2018

Schedule 2  
 Page 6 of 9

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Ad valorem property tax	\$ 12,362	\$ 13,807	\$ (1,445)
Delinquent tax	1,444	-	1,444
Motor vehicle tax	5,250	5,182	68
Recreational vehicle tax	157	145	12
Commercial vehicle registration fee	254	434	(180)
16/20M vehicle tax	27	2	25
Neighborhood revitalization rebate	(3,124)	-	(3,124)
	<u>16,370</u>	<u>\$ 19,570</u>	<u>\$ (3,200)</u>
TOTAL RECEIPTS			
EXPENDITURES			
Transfer to - Water Bond P&I Fund	<u>13,957</u>	<u>\$ 25,235</u>	<u>\$ (11,278)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	2,413		
UNENCUMBERED CASH, BEGINNING	<u>1,728</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 4,141</u>		

## CITY OF CHASE, KANSAS

WATER FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2018

Schedule 2  
Page 7 of 9

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Charges for service	\$ 59,607	\$ 73,000	\$ (13,393)
Miscellaneous	<u>8,208</u>	<u>-</u>	<u>8,208</u>
TOTAL RECEIPTS	<u>67,815</u>	<u>\$ 73,000</u>	<u>\$ (5,185)</u>
EXPENDITURES			
Personal services	25,834	\$ 30,000	\$ (4,166)
Contractual services	1,231	10,000	(8,769)
Commodities	25,296	25,000	296
Capital outlay	57	25,000	(24,943)
Miscellaneous	618	-	618
Transfer to:			
General Fund	23,000	-	23,000
Water Bond P&I Fund	<u>26,512</u>	<u>20,235</u>	<u>6,277</u>
TOTAL EXPENDITURES	<u>102,548</u>	<u>\$ 110,235</u>	<u>\$ (7,687)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(34,733)		
UNENCUMBERED CASH, BEGINNING	<u>129,508</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 94,775</u>		



CITY OF CHASE, KANSAS  
 SPECIAL PURPOSE FUNDS - NONBUDGETED  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL)  
 For Year Ended December 31, 2018

Schedule 2  
 Page 8 of 9

	<u>Capital Improvements</u>	<u>Police Seizure</u>
RECEIPTS	\$ -	\$ 1,352
EXPENDITURES	<u>-</u>	<u>121</u>
RECEIPTS OVER (UNDER) EXPENDITURES	-	1,231
UNENCUMBERED CASH, BEGINNING	<u>6,647</u>	<u>784</u>
UNENCUMBERED CASH, ENDING	<u><u>\$ 6,647</u></u>	<u><u>\$ 2,015</u></u>

CITY OF CHASE, KANSAS  
 BUSINESS FUNDS - NONBUDGETED  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL)  
 For Year Ended December 31, 2018

Schedule 2  
Page 9 of 9

Water  
Bond P&I

RECEIPTS	
Transfers in	<u>\$ 40,469</u>
EXPENDITURES	
Debt service	40,471
Transfer to - General Fund	<u>-</u>
TOTAL EXPENDITURES	<u>40,471</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(2)
UNENCUMBERED CASH, BEGINNING	<u>9,422</u>
UNENCUMBERED CASH, ENDING	<u><u>\$ 9,420</u></u>

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Brady H. Byrnes, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

The Mayor and City Council  
City of Chase, Kansas

We have audited in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Kansas Municipal Audit and Accounting Guide, the regulatory basis summary statement of receipts, expenditures, and unencumbered cash of City of Chase, Kansas (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statement, which collectively comprise the City's basic financial statement, and have issued our report thereon dated September 11, 2019, which was modified because the financial statement is prepared on the regulatory basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses, listed as item numbers 2018-1 and 2018-2.



Compliance and Other Matters

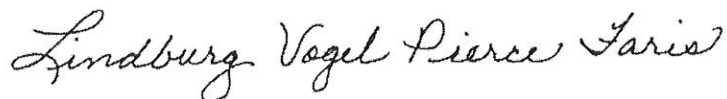
As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Hutchinson, Kansas  
September 11, 2019

CITY OF CHASE, KANSAS  
SCHEDULE OF FINDINGS AND RESPONSES  
For Year Ended December 31, 2018

Page 1

**SUMMARY OF AUDIT RESULTS****Financial Statement**

Type of auditors' report issued	Unmodified (Regulatory basis)
Internal control over financial reporting Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Noncompliance material to financial statement noted?	No

**FINDINGS – FINANCIAL STATEMENT AUDIT****MATERIAL WEAKNESSES**2018-1 Segregation of Duties

Condition: There is a lack of appropriate segregation of duties related to all accounting functions.

Criteria: The City is responsible for establishing and maintaining effective internal controls.

Cause: The City does not have adequate funds to achieve the proper segregation of duties.

Effect: Without the proper segregation of duties, the risk that the City's financial statement may be materially misstated increases and the City's responsibility to prevent and detect fraud may be at risk.

Recommendation: Current reviews in place need to continue to lessen the effect of the lack of segregation of duties.

Management's Response: The City does not have sufficient funds to adequately staff the office to achieve the proper segregation of duties. The City Council does review all expenditures prior to final disbursement and multiple signatures are required on all checks. In addition, the City Treasurer will perform reconciliations and review significant accounting functions to help alleviate the segregation of duty issues when possible.

CITY OF CHASE, KANSAS  
SCHEDULE OF FINDINGS AND RESPONSES  
For Year Ended December 31, 2018

Page 2

**FINDINGS – FINANCIAL STATEMENT AUDIT****MATERIAL WEAKNESSES****2018-2 Internal Controls over Preparation of Financial Statements**

Condition: The City has no policies or procedures in place over internal controls related to preparation of their financial statement.

Criteria: The City is responsible for establishing and maintaining effective internal controls over preparation of their financial statement.

Effect: The lack of internal controls over preparation of financial statement places the City at a greater risk of not detecting or preventing material misstatements to its financial statement.

Cause: The City has not provided appropriate training or resources regarding internal controls over preparation of their financial statement.

Recommendation: To the extent possible, the City should establish controls over financial statement preparation.

Management's Response: The City agrees with the finding. The City understands the need for proper internal controls and to the extent possible will try to implement controls over the financial statement, including giving consideration to acquiring a copy of the current Kansas Municipal Audit and Accounting Guide to use in financial statement preparation and obtaining training in this area.